Chapter 11.—Budget.

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Responsibility.

185. The responsibility for the Budget Estimates lies with the local Government, and they are accepted by the Government of India as the estimates not of the local Accountant General, b ıt of the local Government; and for any error or failure in the estimates the local Government is primarily accountable. An Accountant General is bound to place the local Government in possession of all the facts which he can supply, and (so far as he is permitted to do so) of his opinion and advice bearing upon the estimates; but he will not enter or alter any figure in his estimate without sufficient authority from the local Government.

*1. The limitations imposed by the Budget system on the spending powers of local Governments are laid down in the Book of Financial Powers.

Preparation.

***186.** No minute rules can be laid down for the collection of local details and for the estimates of revenue and charge, as each local Government has power to make such arrangements as may seem to it best; only **every head of an office will prepare a *complete* estimate including the** salaries and the contingent and other charges of his establishment; thus the Treasury Officer may not be called on to prepare the estimate for the civil courts and all other offices in the district, nor may the local estimate be for the variable charges only.

1. What are called fixed establishments are not irrevocably fixed for all time, and should be brought under the formal review of heads of departments from time to time; even when there is no thought or intention of making any change in establishments, it would still seem to be desirable that heads of departments should review the entire estimate of the requirements of their departments.

187. The following are the chief rules for the preparation of the Budget Estimate:—

(*a*) It should be for what is expected to be actually received or paid (under proper sanction) during the year, including the arrears of past years,—not for the demand or the liabilities falling due within the year. In no case are net receipts or net charges to be entered, but the gross transactions in full.

(*b*) For fixed charges the detailed estimate should show the full amount of the sanctioned scale (in the case of progressive salaries, the actual salary which is being earned on 1st April of the year for which the estimate is made, without reckoning any future increments), and

No. 35.

Article 185—

Substitute the following for the Rule under this Article :—

" 1. The orders in this Article do not apply in their entirety to the Governors' provinces and Burma."

(C. A. C., I., 8th Edition, Reforms List, No. 35—1-4-21.)

No. 217.

Page 80, Article 185 and the Rule thereunder—

For this Article and the Rule substitute the following :—

185. The responsibility for the preparation of the statement of estimated revenue and expenditure which is laid before the Legislature in each year, as well as any supplementary estimates or demands for excess grants, lies with the Finance Department. The material on which such estimates are based is obtained by that Department from the Departments or local Governments concerned. The Accountant General is, however, responsible for rendering such assistance in the preparation of the Budget estimates as may be settled in consultation with the Finance Department and is bound to supply any information in connection with the Budget estimates which he is in a position to furnish, and to offer any opinion or advice in connection therewith which may be required by the local Government.

[C. A. C., Vol. I, 8th Edn., No. 217, dated 1st April 1923.]

No. 218.

Page 80, Article 186—

For the word "salaries" *in line 5 substitute* "pay, allowances".

[C. A. C., Vol. 1, 8th Edn., No. 218, dated 1st April 1923.]

No. 219.

Page 80, Article 187 (b)—

For the words "progressive salaries" *in line 2 substitute* "progressive or time-scale pay"

[C. A. C., Vol. I, 8th Edn., No. 219, dated 1st April 1923.]

No. 220.

Page 81, Article 187—

(*i*) *Clause* (*e*), *Rule I. For the words* "sanctioned allotment" *in line 1, substitute* "the sanctioned amount of the contract grant".

(*ii*) *Clause* (*g*), *Note 2 as introduced by Reforms list of corrections No. 36, dated 1st April 1921.*

Delete this Note and insert the following as an exception :—

"*Exception.*—No proposal for expenditure may be included in a demand for a grant presented to the Legislature without the previous sanction of the Secretary of State in Council or of the Governor General in Council if such sanction is necessary under the rules. See also the Audit Resolution."

(*iii*) *Clause* (*i*). *Reconstruct this clause as under :—*

(*i*) The charges incurred in England, by the High Commissioner on the supply of Stores are treated as English expenditure and estimated for separately, but the charges for exchange and for freight paid in India as well as other expenses in connection with these stores incurred at ports or elsewhere in India are treated as Indian expenditure and provision for them must be made in the estimates of the department concerned."

[C. A. C., Vol. I, 8th Edn., No. 220, dated 1st April 1923.]

No. 221.

Page 81, Article 188 as revised by Reforms list of corrections No. 37, dated 1st April 1921—

Reconstruct this Article as under :—

188. After the grants have been voted by the Legislature a grant or portion of a grant allotted to each major head of account, together with any sum sanctioned by Government for non-votable expenditure under the same major head of account is communicated by the Finance Department to the department or the local Government concerned in the shape of lump sums known as primary units of appropriation. The department or the local Government concerned then makes arrangements for distributing and communicating the sanctioned funds among the controlling and disbursing officers. The Accountant General will render such assistance in the distribution of grants as may be settled in each case.

1. The distribution of grants is usually effected as under :—

(*i*) The whole or part of the appropriation for a primary unit may be placed at the disposal of a controlling or a disbursing officer or the primary unit may be broken up into a number of secondary units (each of which will cover either one or a number of detailed heads of account) and the appropriation for any of these, wholly or in part, may be placed at his disposal.

(*ii*) A controlling officer at whose disposal an appropriation for a primary or a secondary unit has been placed, may out of it allot funds for expenditure on a specific item or on a group of items if so required under the financial rules of the Government.

NOTE 1.— Any distribution of appropriation among specific items or group of items which may be made by a disbursing officer for purposes of his control over the expenditure will not be recognised by the Accountant General and should not be intimated to him.

[C. A. C., Vol. I, 8th Edn., No. 22, dated 1st April 1923.]

No. 36.

Article 187—

Add as Note 2 under clause (g) *under this Article numbering the existing Note as Note 1 :—*

"NOTE 2.—So far as provision for transferred subjects is concerned no proposal for expenditure may be included in a demand for a grant presented to a legislative council without the previous sanction of the Secretary of State in Council or of the Governor General in Council if such sanction is necessary under the rules relating to those subjects."

(C. A. C., I., 8th Edition, Reforms List, No. 36—1-4-21.)

where it is found by experience that a saving will arise from absence or other cause, a lump deduction may be made.

(*c*) The columns of numbers must be carefully checked; the rate of pay should be stated, whenever possible in order to admit of verification with the column of charge. Variations in the columns of numbers as well as in amount should be explained. If they rest on an order of Government, the number and date should be quoted.

(*d*) For all fixed recoveries and fixed payments (other than establishment charges) the sanction fixing the amount should be quoted.

(*e*) Opposite every item of fluctuating charge, such as travelling allowances, contingent charges, official postage, and the like, a note in red ink should be made of the actual expenditure of each of the three years last past together with a brief explanation of any abnormal variation; and in all cases where estimates for the coming year differ from those of the preceding year, full explanation must be given.

1. In the case of contract contingent charges, only the sanctioned allotment should be shown.

2. The estimates of contingent charges should be checked by the controlling officer upon comparison of the expenditure of various offices.

(*f*) The estimate of receipts and varying charges should not be merely an arithmetical average of three years' figures. The average is a guide, but it should not be taken absolutely.

(*g*) No new charge may be included in the budget until sanctioned by competent authority, but a note may be made at the end of the budget (with explanation) of any fresh charge that is expected to be sanctioned and to come in course of payment during the year to which the budget relates. And under the special sanction of the Head of the Administration concerned (which must be communicated to the Accountant General), provision may be made in the Budget for such fresh charges as are likely to be formally sanctioned and paid during the year to which the Budget relates.

NOTE.—It not unfrequently happens that an establishment or some special allowance is sanctioned for an official year, and the charge for the last month of the year only becomes due when the new year has commenced, and must be taken against the grants of that year; provision should be made accordingly.

(*h*) Every department will provide for the whole receipt and charge with which it deals finally; thus, when the Public Works Department collects irrigation revenue, it will estimate for it.

(*i*) As charges for the freight paid in India on stores received from England will be borne by the department against which the cost of the stores is charged in the home accounts, provision will be made in the departmental estimate.

Communication of Sanction.

***188.** The Accountant General, as soon as he receives from the Government of India the last budget notes relating to his province, will revise

the budget figures and work out the grants, as finally sanctioned, for Civil Departments other than the Public Works Department. He will then send advices to all disbursing and controlling officers of those Departments, showing the amounts allowed for the contingencies and fluctuating expenditure of every office.

1. The fact of a charge which requires special sanction having been included and passed in a budget is no authority for its payment.

2. There is no need to communicate sanction for fixed charges, refunds, or interest.

3. The Accountant General need not notify any grants to the Treasury Officers.

4. The procedure relating to the Public Works Department is described in the Public Works Account Code.

189. The grants sanctioned in the budget are for the service of a whole Department, and the Government of India do not concern themselves with the detailed distribution thereof. The powers of a local Government to transfer an ascertained saving under one head to meet new charges or a probable excess under another are to be found in the Book of Financial Powers. But when the grant for a major head as a whole is likely to be exceeded the Accountant General should not report the savings under any minor head subordinate to that major head as available for re-appropriation to meet excess expenditure under a different major head; the savings may, however, be appropriated to meet excesses under other minor heads so long as the excess under the major head is not thereby increased.

Expenditure not provided for.

190. Expenditure which cannot be met from the grant made at the beginning of the year for the service of the department to which it appertains, requires *ipso facto*, and apart from all other rules, the sanction of Government. Every application for such sanction must be made in time to have orders passed on it by the proper authority before the end of the year and must be accompanied by a statement in Form 25, showing how the expenditure is proposed to be met. A copy of this statement should be forwarded by the sanctioning authority, together with the order of sanction, to the Audit Officer who should accept no sanction unless covered by a specific re-appropriation; where re-appropriation has been made from an existing grant, the audit should be conducted against the reduced grant.

NOTE.—In these applications the figures of the Budget Estimate must be given and not those of the Revised Estimates. Column 3 of Form 25 must show the amount sanctioned by Government in the *Budget Estimates:* if re-appropriations have been made subsequently, the alterations sanctioned up to date must be shown by *plus* and *minus* figures supported by explanatory memos. It is not convenient that the Revised Estimates should be in any way connected with such applications, as the acceptance of the former does not imply any sanction to the expenditure included in them and they cannot be used for purposes either of budget control or of audit.

191. Save for exceptional reasons, expenditure for which no provision has been made in the estimates of the current year should not be proposed, and cannot be sanctioned; in the absence of special arguments the

No. 37.

Article 188—

Substitute the following for this Article :—

"**188.** As soon as the budget estimates are finally passed the Accountant-General will revise the budget figures and work out the grants for civil departments as finally sanctioned. He will then send advices to all disbursing and controlling officers, showing the amounts allowed for the contingencies and fluctuating expenditure of every office."

(C. A. C., I., 8th Edition, Reforms List, No. 37—1-4-21.)

No. 38.

Article 189—

Cancel this Article.

(C. A. C., I., 8th Edition, Reforms List, No. 38—1-4-21.)

No. 39.

Articles 190 to 192—

Substitute the following for these Articles :—

190. Expenditure for which no provision has been made in the budget estimate of the current year should rarely, if ever, be incurred.

191. If on account of exceptional reasons expenditure, which is either not provided for in the budget estimates of the current year or is in excess of the budget provision, has to be incurred, and if the authority incurring the expenditure is not in a position to find funds by re-appropriation, application should be made for the provision of additional funds accompanied by a statement in form 25 showing how the expenditure is proposed to be met. When such an application is sent the reason for considering it indispensably necessary that the outlay should be immediately incurred and not postponed to the next financial year should be stated. It should also be explained why the need for the expenditure was not foreseen in time for its inclusion in the budget estimates. It should be borne in mind that excesses over the grants voted by the legislature require the sanction of that body.

192. In all applications for sanction to expenditure it should be distinctly stated whether provision for the proposed charge has or has not been made in the budget estimates of the year, and if it has not been made whether the funds can be found by re-appropriation.

(C. A. C., I., 8th Edition, Reforms List, No. 39—1-4-21.)

Government of India assumes that any expenditure proposed is intended to have effect from the beginning of the following financial year, and not earlier.

NOTE.—In all applications for sanction to expenditure, it should be distinctly stated whether provision for the proposed charge has or has not been made in the Budget Estimate of the year; and, if not, whether it can be met from savings in the existing grants.

192. Whenever, therefore, a proposition is made under Article 190, the fact that provision has not been made for the desired expenditure in the estimates should be prominently set forth, as well as the particular reasons why it is, nevertheless, considered indispensably necessary that the outlay should be immediately incurred, and should not be postponed to the next financial year. Explanations should also be invariably given why the need for the expenditure was not foreseen in time to obtain sanction for its inclusion in the estimates.

Inevitable Payments.

193. The want of provision in the estimate does not operate to prevent payment of any sums really due by Government, nor the want of sanction to prevent record of any actual payment.

*194. Money indisputably payable should never be left unpaid; and money paid should under no circumstance be kept out of the accounts a day longer than is absolutely necessary. It is no economy to postpone inevitable payments, and it is very important to ascertain, liquidate, and record the payment of all actual obligations at the earliest possible date.